MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210 & TERM ID 2215)

BAC 1064 – ACCOUNTING FOR DECISION MAKING

(All Sections / Groups)

15th February 2023
9.00 am. – 11.00 am.
(2 Hours)

INSTRUCTIONS TO STUDENT:

1. This Question paper consists of **5** pages (excluding cover page) with **4 Questions** only.
2. Answer **ALL** Questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

Murad Insurance Agency prepares monthly financial statements. Presented below is a statement of income for the month of June that is correct on the basis of information considered.

MURAD INSURANCE AGENCY
Statement of Income
For the Month Ended 30 June 2022

Revenues		
Premium Commission Revenue		RM35,000
Expenses		
Salary expense	RM6,000	
Advertising expense	800	
Rent expense	4,200	
Depreciation expense	2,800	
Total expenses		13,800
Net income		RM21,200

When the statement of income was prepared, the company accountant neglected to take into consideration the following information:

i. A utility bill for RM2,000 was received on the last day of the month for electric and gas service for the month of June.
ii. A company insurance salesman sold a life insurance policy to a client for a premium of RM35,000. The agency billed the client for the policy and is entitled to a commission of 20%.
iii. Supplies on hand at the beginning of the month were RM3,000. The agency purchased additional supplies during the month for RM3,500 in cash and RM2,200 of supplies were on hand at June 30.

Required:

Prepare a correct statement of income.

(11 marks)

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PART B

Boboi Sdn. Bhd. had the following comparative current assets and current liabilities:

	31 Dec 2022	31 Dec 2021
Current assets		
Cash	RM 20,000	RM 30,000
Short-term investments	40,000	10,000
Accounts receivable	55,000	95,000
Inventory	110,000	90,000
Prepaid expenses	35,000	20,000
Total current assets	RM260,000	RM245,000
Current liabilities		
Accounts payable	RM140,000	RM110,000
Salaries payable	40,000	30,000
Income tax payable	20,000	15,000
Total current liabilities	RM200,000	RM155,000

During 2022, credit sales and cost of goods sold were RM600,000 and RM350,000, respectively.

Required:

a) Compute the following liquidity measures for 2022:
   i. Current ratio.
   ii. Acid-test ratio.
   iii. Receivables turnover.
   iv. Inventory turnover.

(10 marks)

b) Horizontal and vertical analyses are analytical tools frequently used to analyze financial statements. Show TWO (2) types of information acquired when using horizontal analysis and TWO (2) types of information acquired when using vertical analysis.

(4 marks)

[TOTAL: 25 MARKS]

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QUESTION 2

LalaLand Bhd.'s comparative statements of financial position are presented below.

LALALAND BHD.
Comparative Statements of Financial Position

	31 December 2022	31 December 2021
ASSETS:	RM	RM
Cash	43,000	22,000
Accounts receivable	85,000	76,000
Inventories	180,000	189,000
Land	80,000	100,000
Equipment	230,000	200,000
Accumulated depreciation	(61,000)	(42,000)
TOTAL	557,000	545,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable	34,000	47,000
Bonds payable	130,000	200,000
Ordinary shares (RM1 par)	194,000	164,000
Retained earnings	199,000	134,000
TOTAL	557,000	545,000

Additional information:

i. Net income for 2022 was RM105,000.
ii. Cash dividends of RM40,000 were declared and paid.
iii. Bonds payable amounting to RM70,000 were redeemed for cash RM70,000.
iv. Ordinary shares were issued for RM30,000 cash.
v. Depreciation expense was RM19,000.
vi. Land was sold at a sale price of RM20,000.
vii. Purchased an equipment for RM30,000.

Required:

a) Prepare a statement of cash flows for 2022 using the indirect method.

(22 marks)

b) Show THREE (3) examples of non-cash activities.

(3 marks)

[TOTAL: 25 MARKS]

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QUESTION 3

The following costs and inventory data were taken from the accounts of Saleh Bhd. for 2022:

	1 January 2022	31 December 2022
Inventories:		
Raw materials	RM 8,000	RM 7,000
Work in process	15,000	13,000
Finished goods	16,000	12,000
Costs incurred:		
Raw materials purchases		RM98,000
Direct labour		42,000
Factory rent		8,000
Factory utilities		10,000
Indirect materials		6,000
Indirect labour		9,000
Operating expenses		17,000

Required:

a) Compute the amount of direct materials used in production during the year.
(6 marks)

b) Compute the amount of manufacturing overhead incurred during the year.
(5 marks)

c) Compute the Cost of Goods Manufactured for Saleh Bhd. for the year ended 31 December 2022.
(8 marks)

d) Compute the Cost of Goods Sold for Saleh Bhd. for the year ended 31 December 2022.
(6 marks)

[TOTAL: 25 MARKS]

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QUESTION 4

Fyda Gojes, a manufacturer of rain barrels, had the following data for 2021:

Sales	2,500 units
Sales price	RM40 per unit
Variable costs	RM24 per unit
Fixed costs	RM19,500

Required:

a) Compute the contribution margin ratio.
(4 marks)

b) Compute the break-even point in RM.
(3 marks)

c) Compute the margin of safety in RM and as a ratio.
(7 marks)

d) If the company wishes to increase its total RM contribution margin by 30% in 2022, compute the amount of sales required to increase if all other factors remain constant.
(9 marks)

e) Show the effects of changes in the activity level on total fixed costs and on unit fixed costs.
(2 marks)

[TOTAL: 25 MARKS]

End of Paper